

STATE OF MINNESOTA  
DEPARTMENT OF COMMERCE

BULLETIN 95-6  
Issued this 16th day  
of October, 1995

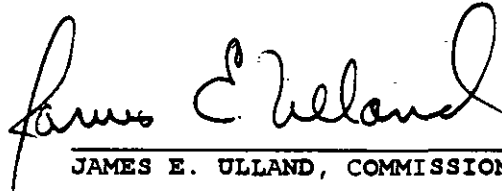
To: ALL COMPANIES WRITING CROP HAIL INSURANCE IN MINNESOTA.

This bulletin supersedes bulletin 94-4 and reminds all crop hail insurers of the requirements of Minnesota Statute 70A.04, subdivision 1; states, "rates shall not be excessive, inadequate or unfairly discriminatory, nor shall an insurer use rates to engage in unfair price competition." In making your crop hail rate filing for the 1996 season, follow these guidelines:

1. Companies are required to make a new rate filing for the 1996 season because new NCIS Loss Costs have been filed. No new business may be written until your new rates are filed. The filings must reflect the latest NCIS final average loss costs with catastrophe (FALC with catastrophe). All data must be documented and filed to justify your rates. The filings must be received in our office prior to March 1, 1996. (In 1995, filings were required to be filed prior to April 1st. Also the 30 day delay was repealed).
2. Your filing must use the NCIS 1948-1994 final average loss costs with catastrophe (FALC with catastrophe), or loss costs developed by using meaningful statistics from a large data base for a minimum of 20 years. Companies using the NCIS FALC will be allowed to adjust the NCIS FALC if their previous experience for a minimum of ten years compared to NCIS FALC for the same time period justifies it. If an insurer can use their own experience, they cannot deviate, either up or down, more than 15% from the NCIS FALC. (In 1995 10% was allowed). Companies with a minimum of 10 years experience will be allowed to determine and use their own crop and policy form factors, but when the NCIS FALC is being modified or policy form or crop factors other than those filed or developed by NCIS are used, a consistent methodology must be approved and signed by an accredited property/casualty actuary.
3. Include a 3 year expense statement broken down by Production Expenses; Taxes; Licenses and Fees; General Expenses; Loss Adjusting Expenses; Contingencies; Other Expenses; Anticipated Underwriting Profit and Discounts (except cash).
4. The formula for calculating the base rate is: Base Rate equals NCIS FALC/(1.00-(Expense Load plus Anticipated Profit)). If your own FALC experience can be used as explained in item 2, replace NCIS FALC in the formula with that expense.
5. DISCOUNTS:
  - a. Cash discounts are limited to a maximum of 3% unless a higher discount can be justified. (In 1995 the discount was 5%). The cash must be paid by July 1st of the crop season to qualify for the discount. If the policy is written after July 1st, the cash must accompany the application to the processing office to qualify for the discount.
  - b. Claim free discounts for crop hail coverage cannot be actuarially justified, so these discounts will not be allowed.

- c. Unless actuarially justified, a discount will not be allowed on crop hail premiums if a Multi-Peril policy (MPCI) is involved.
  - d. Large volume discounts will be allowed on a graduated scale, but only to an extent justified by specific expense savings.
  - e. Any other discounts must be actuarially justified and submitted over the signature of a property/casualty actuary.
  - f. All discounts, except cash discounts, not offset by specific expense savings must be included in the expense statement mentioned in paragraph 3.
6. In order to keep rates from increasing drastically and to maintain stability to the rate structure, the maximum increase over your 1995 rates on full coverage policies for NCIS class A crops will be the lesser of 50% or \$1.50 per \$100 of insurance, and for class S crops, the lesser of 50% or \$3.00 per \$100 of insurance. Use the appropriate crop and policy form factors on the limited full rate to develop all other rates. If this limitation creates a critical financial situation, non-conforming increases may be considered with appropriate verification of your financial status.
7. Indicate in the filing, what percentage your rates increased from 1995 to 1996 and also how much they would have increased if item 6 wasn't restricting the increase.
8. Do not file MPCI rates or forms, either as a formal filing or a courtesy filing. We have decided not to accept these filings unless the 8th Circuit Court makes a different ruling than that made by the 10th Circuit Court.

Questions regarding this bulletin should be referred to Ms. Tammy Lohmann, Commerce Analyst, (612)296-2327 or William R. Kyle, Commerce Analyst Manager, (612)296-2656.



JAMES E. ULLAND, COMMISSIONER